

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-1243
Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245
Fax (505) 827-5766



4

COMMERCIAL RESOURCES

Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793
Fax (505) 827-5711

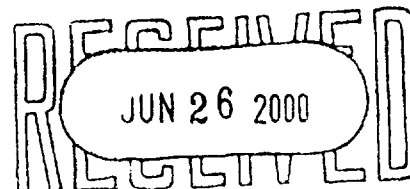
New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.

June 21, 2000

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

Attention Mr. Robert Bullock:

Re: Preliminary Approval
Tres Canal State Unit
Chaves, County, New Mexico



Dear Mr. Bullock:

This office has received your letter of June 6, 2000 and the unexecuted copy of the unit agreement for the proposed Tres Canal Exploration Unit area, Chaves County, New Mexico. A review of the unit area reveals that since several wells have already penetrated the shallow zones of the unit area, only the deeper zones of the unit area qualify for exploratory unit status. In view of the above, preliminary unit approval is hereby granted for all zones deeper than 9,608 feet.

Preliminary approval is given with the understanding that Article 2, Unitized Substances be amended to read as follows: The unitized interval shall be limited to only those formations correlated deeper than the Bough 'C' formation of the Saxon Oil Company – Crystal State Well No. 1 located in the SE/4SE/4 of Section 35-08S-33E. The Crystal State Well No. 1 was drilled to a total measured depth of 9608 feet in the SE/4SE/4 of Section 35-08S-33E, Chaves County, New Mexico.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Amendment to Article 2, Unitized Substances of the Unit Agreement.
2. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
3. Pursuant to Rule 1.045, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 12443 Exhibit No. 4

Submitted by:

Yates Petroleum Corporation

Hearing Date: June 29, 2000

Yates Petroleum Corporation
June 21, 2000
Page 2

4. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division.
6. A copy of the Unit Operating Agreement (if applicable).
7. Copies of all the well records for the initial unit well.
8. The filing fee for a unit agreement is \$30.00 dollars for every section or partial section thereof. Since the proposed unit contains six sections, please submit an additional \$30.00. (Your check in the amount of \$150.00 has been received).
9. We are in receipt of your revised exhibits of June 21, 2000. Please correct the lease number on Exhibit "B". The correct lease number for Tract No. 7, W/2NE/4,SE/4NE/4,SW/4NW/4, Sec. 27-08S-33E, 160.00 acres is V0-5863 and the Lessee of Record is Yates Petroleum Corporation.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/pm

cc: OCD-Santa Fe, Attention: Mr. Roy Johnson